BRITISH COLUMBIA

BC STATS

Ministry of Labour and Citizens' Services

Infoline

Contact: bcstats.infoline@gov.bc.ca *Issue: 05-25* *June 24, 2005*

- **Inflation rate eases in May**
- **BC retail sales stall in April**
- **The Canadian leading indicator advances in May**

Prices

- **British Columbia's year-over-year inflation rate eased in May, dropping to 1.5%–the first time since last September that the overall price level has risen less than two percent.** Energy costs, which have been fuelling inflation, were 1.8% higher than in May 2004. Prices at the pump were up 2.5%, while fuel oil prices increased 18.7%.

  Although the cost of energy rose more than prices for other goods and services (+1.4%) in May, consumers faced the lowest year-over-year increase in energy costs since early 2004. Energy price increases have fluctuated around the ten percent level during the last year, and have risen by more than a third since the turn of the century.

  BC consumers faced higher prices for most types of goods and services except clothing and footwear (-1.2%) in May. Transportation (+2.1%), health and personal care services (+1.9%), food (+1.8%) and shelter (+1.8%) costs all rose about two percent. Energy prices played a role in the increases for shelter and food costs and have likely indirectly affected prices for food and similar items, but other factors have also influenced the overall increase. Homeowner's insurance costs continued to rise (+5.2%), and water charges (+6.9%) and property taxes (3.7%) took a bigger bite out of household budgets than they did in May 2004. Property tax rates are set annually, so the year-over-year increase in May reflects both property values and tax rates established by municipalities in 2004. Auto insurance costs were up 7.5%, and tuition fees were 13.0% higher than in May 2004. *Data Source: Statistics Canada*

- **BC's inflation rate was marginally lower than the national average (+1.6%).** Alberta (+1.3%) was the only province where prices increased less than in BC. In PEI, the average price increase was 3.3%, the highest in the country.

  In Vancouver, the overall price level was up 1.4%, but residents of Victoria faced higher increases (+1.8%) in prices for goods and services. *Data Source: Statistics Canada*

The Economy

- **Retail sales growth in BC slowed down in April, increasing 0.1% (*seasonally adjusted*) from March.** Overall Canadian sales (+1.5%) rebounded substantially, due to a strong recovery in Ontario's retail market (+1.9%). New Brunswick (-0.3%) and BC were the only provinces where sales were weak in April. Prince Edward Island (+2.9%) and Alberta (+2.7%) led the rest of the provinces with significant sales gains.

  Strong sales of automotive products (+3.0%) and building & home supplies (+4.5%) were a major factor in the growth at the national level. Furniture, home furnishings and electronics stores also recorded a robust 2.0% increase in sales. Canadian consumers spent less at food & beverage (-0.1%) and general merchandise (-0.2%) stores. *Data Source: Statistics Canada*

- **According to BC Credit Union Central's forecast, BC's real GDP will continue to post robust growth in 2005 (+3.6%) and 2006 (+3.9%).** Although a larger trade deficit will slow the GDP growth, low interest rates, rising private and public investment and business & consumer confidence will continue to drive the economy forward.

  The province's population will continue to expand with positive net inter-provincial migration. The unemployment rate will drop to 6.4% in 2005 and 6.0% in 2006, as forecasts in most

Report Any BC Port in a Trade Storm

Did you know...
BC's oldest, still active, domestic corporation was incorporated in November of 1860.

industry sectors are for fairly robust growth in this period. *Data Source: Credit Union Central BC Economic Forecast Update 2005-2006*

Retirement Savings Plans

- **Canada's retirement savings plans (trusteed pension plans) held assets of $688 billion during the fourth quarter of 2004, up 3.7% from the previous quarter**. The value of funds has been rising for seven consecutive quarters since early 2003.

  Return on investment for the calendar year 2004 was 8.6%, a significant improvement over the 5.1% increase in 2003. About 4.5 million Canadian workers belonged to trusteed plans.

  Data Source: Statistics Canada

G8

- **The 2005 G8 Summit will take place at Gleneagles, Perthshire, Scotland from July 6 to 8.** Although Canada has the smallest population (32.5 million) of all G8 nations, Paul Martin will go to the summit representing the fastest growing economy of the eight. Between 2000 and 2004, Canada's GDP (Purchasing Power Parity, US dollars) grew 3.1% annually, surpassing the US to become the highest in the G8. In 2004, Canada's per capita GDP reached $31,000, ranking third after the US ($39,800) and the UK ($31,100).

  Canada also fared well in terms of employment rates, especially for women. In 2003, Canada's employment rate for women aged 25 to 64 was 68.5%, rising from 47.7% in 1976 to became the highest among the G8. The employment rate for both sexes (73.3%) was the third highest among the G8 nations.

  Data Source: SC, Catalogue no. 75-001-XIE

Work vs. Leisure

- **The average annual number hours of work per employed person in Canada declined by 70 hours between 2000 and 2003.** This decline was surprising since employment increased 8.1% between 2000 and 2004. Although half of the drop was attributed to the methodology used to estimate hours worked, the change also reflects a substitution away from time spent at work and toward pursuing other interests. Among full-time employees, longer maternity leaves accounted for 30% of the hours lost, while more vacation time (23%) was another big factor. *Data Source: SC, Catalogue no. 75-001-XIE*

- **For the long-term unemployed, the chance of getting a full-time job is significantly related to factors such as age and origin.** Younger unemployed workers (aged 16 to 25) are 35% more likely to find a job than those aged 26 to 45 (the reference group), while the oldest (aged 56 and over) are 39% less likely to find a job. Immigrants have difficulties finding a full-time job (21% less than reference), given their lack of Canadian experience, qualifications, and knowledge of official languages. Unemployed workers with social assistance are also less likely (47% less than reference) to find a job.

  At the provincial level, finding a full-time job was 35% easier for Prairie residents than for those living in Ontario (reference group).

  Data Source: SC, Catalogue no. 75-001-XPE

The Nation

- **The Canadian composite leading indicator advanced 0.3% in May, after a similar increase in April.** Growth remained widespread with 7 of the 10 components rising or remaining flat. The composite index combines indicators from manufacturing, retail, housing and the stock market. The housing index (+0.1%) was up for the first time since the index peaked (147.6) in July 2004. The retail sector saw mixed signals as furniture and appliance (+0.9%) sales continued to expand, while other durable goods (-0.1%) sales dropped. The negative influences on the composite index were declines in the US composite leading indicator (-0.2%) and manufacturing shipments/inventories of finished goods (-0.01%). *Data Source: Statistics Canada*

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June 24, 2005

For data originating from Statistics Canada, data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the catalogue number.

Infoline Report

Issue: 05-25
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Contact: Dan Schrier (250) 387-0376

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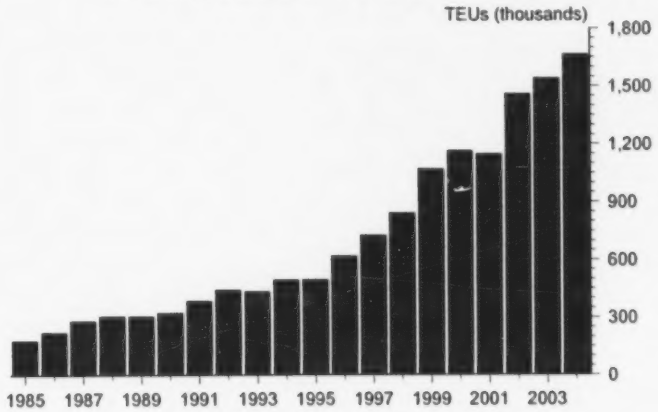
Any BC Port in a Trade Storm

Burgeoning trade with Asia has put stress on British Columbia's sea ports and transportation systems, which has spurred port expansion both in Vancouver and Prince Rupert. The process has already begun in Vancouver with the recent arrival of three new cranes, which have substantially bolstered the Port of Vancouver's capacity for handling container cargo. Over the last decade, there has been a significant increase in the use of containers to ship goods, which is reflected in the expansion in containerised cargo traffic at the Port of Vancouver. From 1994 to 2004, containerised cargo moving through the Port of Vancouver more than tripled from 494,000 to 1,665,000 **TEUs**.[1]

High volumes of commodity shipments have put a strain on the capacity of BC's sea ports

TEU (twenty-foot equivalent unit)
Standard measure of container traffic based on the length of a container (e.g., a 40-foot container would be 2 TEUs)

Containerised cargo traffic at the Port of Vancouver has skyrocketed in the last decade



Source: InterVISTAS Consulting Inc. (using Port of Vancouver statistics)

The volume of containerised cargo moving through the Port of Vancouver has more than tripled in the last decade and has increased 835% since

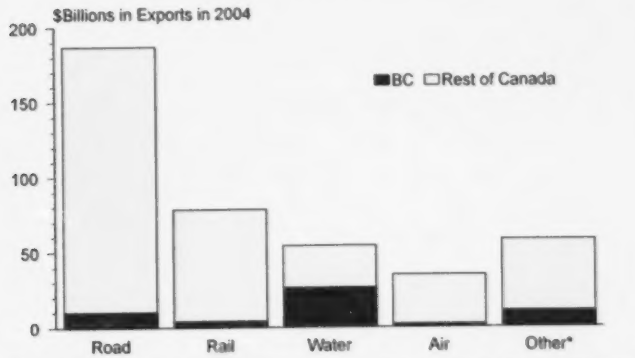
The move towards containerised cargo, particularly with respect to goods shipped to and from Asia, is the impetus behind expansion efforts in Prince Rupert as well. Plans for a new container port facility in Prince Rupert were recently announced that would allow the port to annually process up to two million TEUs of cargo by 2009. This compares to the Port of Vancouver's capacity of 1.8 million TEUs in 2004 (i.e., before the addition of the new cranes). The container port will be built in two phases with a 500,000 TEU capacity in place by next year and a further 1.5 million TEU by 2009. The combined federal-provincial funding for the port expansion also includes money for upgrades to rail transportation. This project is a huge boon to the north coast city and should give the Port of Prince Rupert "superport" status.

The Port of Prince Rupert has received the go ahead to build a container facility

[1] InterVISTAS Consulting Inc., *Port of Vancouver Economic Impact Update*, April 2005.

The expansion of BC sea ports is key to maintaining the economic health of not only British Columbia, but also Canada as a whole. In 2004, 11.3% of Canadian international commodity shipments were transported through BC customs ports (13.0% of all Canadian exports and 9.3% of imports into the country). However, for those goods shipped over water, the percentage jumped to 32.8%. BC sea ports were particularly important for exports (48.6% of Canadian goods transported over water were shipped from BC sea ports), but less so for imports (19.3%). Imports are far more likely to enter BC via truck (47.0%) compared to exports leaving the province (19.3%).

Almost half of Canadian exports shipped over water exit the country through BC ports

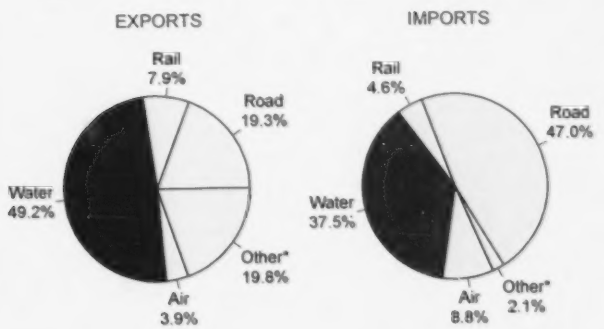


Source: Statistics Canada

*Other = power lines and pipelines

BC's sea ports handle about half of all Canadian exports shipped by boat

The mode of transport of goods via BC ports in 2004 differed significantly for exports vs. imports



Source: Statistics Canada (based on value of exports)

*Other = power lines and pipelines

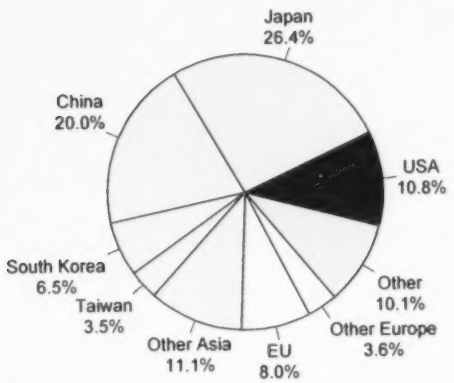
A higher percentage of goods exported through BC travel by boat compared to commodities imported into the province

The mode of transport of goods imported into BC has been fairly consistent over the last decade; however, there has been a shift in the mode of transport of exported goods. The significant rise in exports of natural

gas and electricity to the United States over the last few years has resulted in a change from water-based transport to "other" modes of transport (i.e., power lines and pipelines). As such, the share of exports transported over water has declined from 61.9% of all exports shipped through BC customs ports in 1994, to only 49.2% in 2004. However, that does not imply that exports shipped by boat have fallen. In fact, the total value of Canadian goods shipped through BC sea ports has climbed 28.5% over the last decade.

The mode of transport of an exported good depends mainly on the type of commodity being shipped and the intended destination. For example, the majority of goods destined for the United States are transported by truck or train. In general, transporting cargo by boat is much cheaper than flying the goods to their destination, which is why most goods exported to destinations overseas are shipped over water. The influence of the expanding Asian market can be seen clearly in the breakdown of exports transported over water by destination. Canadian commodity exports to Japan (26.4%), China (20.0%) and South Korea (6.5%) together comprised over half of all shipments through BC sea ports in 2004. Overall, more than two-thirds of Canadian goods shipped through BC sea ports were headed to Asian destinations.

Most exports of Canadian goods shipped over water through BC ports in 2004 were destined for Asia



Source: Statistics Canada (based on value of exports)

In 2004, over two-thirds of exported goods moved through BC sea ports were destined for Asia

With BC's location on the West Coast, it is not surprising that most of the goods travelling to and from Asian countries are shipped through this province. In terms of travel time, all of BC's major sea ports are closer to Asian ports compared to their American competitors.

British Columbia has a strong maritime presence with 135 private and public ports including six Canada Port Authorities that are under federal jurisdiction.[2]

Port of Vancouver

The Port of Vancouver is one of the six Canada Port Authorities in the province and is by far the largest of BC's sea ports. It is also the busiest port in the country with 67.9 million tonnes of goods handled by the port in 2003 (including 1.9 million tonnes of domestic cargo).[3] That compares to only 43.7 million tonnes for the second busiest port, Come-By-Chance in Newfoundland and Labrador. However, in terms of international cargo, Vancouver was even more dominant, handling over a fifth (21.5%) of all cargo going to or coming from international locales. The 66.1 million tonnes of international cargo handled at the Port of Vancouver dwarfed the 24.4 million tonnes cleared through Come-By-Chance.

The Port of Vancouver is the busiest port in the country

According to a recent impact study prepared by InterVISTAS Consulting Inc., the Port of Vancouver directly employed 30,100 people in 2004 and generated an additional 39,100 indirect and induced jobs across the country. The study estimated that the Port directly contributed $1.8 billion in direct GDP, rising to $4.0 billion with indirect and induced impacts included. If accurate, these numbers certainly attest to the importance of the Port to the provincial economy.

Over three-quarters of maritime cargo moving through the Port of Vancouver is comprised of **bulk cargo** (77%). The most significant bulk commodity processed at the Port is coal, followed by grain, sulphur and potash. **Break bulk cargo** made up about 4% of the goods shipped through the Port of Vancouver in 2004. Forest products such as wood pulp and lumber account for most of the break bulk cargo shipped through Vancouver. Both bulk and break bulk cargo have been declining as a percent of total marine shipments through Vancouver as containerised cargo shipments have increased in popularity. Wood pulp and lumber are the top containerised commodities, comprising about a quarter of all containerised cargo shipped through Vancouver. The composition of container cargo is much more diverse than that of bulk and break bulk, which is a reflection of the ability to ship a variety of goods in the same container.

Bulk cargo
Dry or liquid cargo shipped without packaging (e.g., coal, grain)

Break bulk cargo
Cargo handled in individual units (e.g.,

Fraser River Port

The Fraser River Port is also a Canada Port Authority and is the second largest port in the province. The Fraser River Port Authority manages

[2] Ministry of Small Business and Economic Development, Ministry of Transportation, *British Columbia Ports Strategy*, March 2005.
[3] Statistics Canada, *Shipping in Canada - 2003*, cat. no. 54-205-XIE.

the southern arm of the Fraser River (the North Fraser Port Authority manages the northern arm and basically deals with domestic cargo only). In 2003, the Fraser River Port processed 7.7 million tonnes of domestic cargo and 5.9 million tonnes of international cargo, ranking it 12th in the country in terms of total tonnage handled.

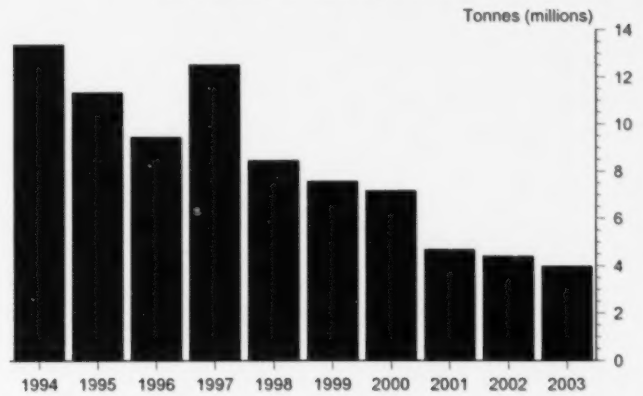
As with the Port of Vancouver, an increase in containerised cargo has contributed to the growth in activity at the Fraser River Port. Cargo shipped through the Port is weighted slightly in favour of exports (about 56% of cargo handled at the Port were exported goods, according to data from the Port Authority), which mainly consist of forest products, cement and general cargo. The main imported goods are general cargo, steel and automobiles. In fact, Fraser River is Canada's largest autoport. In 2004, the Port received 437,190 vehicles, which was one-quarter of all new vehicles sold in the country.[4] About 65% of these were transported into the country by ship, with the remainder arriving by rail.

The Fraser River Port is Canada's largest autoport

Port of Prince Rupert

The Port of Prince Rupert has suffered a series of setbacks over the last several years that have dropped it in status from the second busiest port in the province to third. The closure of the pulp mill in Prince Rupert and the northeast coal mines near Tumbler Ridge had a substantial impact on Port activity, as shipments of pulp and coal virtually ceased. At the same time those events were taking place, drought conditions in the Prairies reduced the volume of grain shipped through the Port. However, the Port is in line for a dramatic turnaround due to the commitment to build a container

The Port of Prince Rupert has suffered a substantial decline over the last decade



Source: Statistics Canada

The volume of cargo shipped through the Port of Prince Rupert has plummeted as a result of mill and mine closures

[4] Korstrom, Glen, "Fraser Port keeps Canada's wheels rolling," *Business in Vancouver*, April 26-May 2, 2005, p. 16.

handling facility in Prince Rupert, which should allow the Port to reclaim number two status in the province.

The explosive growth in trade with China has been the main driver for the Port's resurgence. Coal is once again flowing through the Port and the volume of that commodity will likely continue to expand as new mining ventures are established (or re-established) in the north eastern portion of the province in response to strong demand from China. Prince Rupert is in competition with nearby Kitimat for two projects that could also benefit the Port. The first is a pipeline from the Alberta tar sands that would transport oil to one of the two ports to be exported to markets overseas – likely in Asia. The second is a liquid natural gas (LNG) terminal that would become the conduit for LNG into North America from Pacific Rim sources.

Currently the Port of Prince Rupert ships mainly grain from the Prairies with a smattering of forest products and some coal and coke. Virtually all traffic going through the Port is one-way: exports leaving the country; however, that will change, particularly when the container facility is completed. The surge in imported goods from Asia has resulted in backlogs in the southern ports, not only in BC, but also in American ports such as Seattle and Los Angeles. This has importers looking for alternative routes and Prince Rupert is the likely candidate, particularly once it has the ability to process containerised cargo.

Prince Rupert offers an alternative to importers dealing with backlogs at clogged southern ports

Prince Rupert's main advantage over other ports on the west coast of North America is its proximity to Asian markets. Shipping through Prince Rupert could reduce delivery time by up to an entire day due to the shorter marine distance and a convenient rail link. The Port also boasts the deepest harbour in North America enabling it to deal with the largest ships in the world and it has the added advantage of being ice-free year round.

Port of Kitimat

The Port of Kitimat has more or less all the same advantages as Prince Rupert (deep sea, ice-free year round, closer to Asia than Vancouver, good rail ties) with the exception that it is not right on the ocean, but rather has ocean access through the Douglas Channel. Kitimat is the province's largest private port and ranks fourth among all BC ports in terms of total tonnage of international cargo. Most of the goods exported through the Port are derived from local industry: Aluminum from the Alcan smelter, kraft paper from the Eurocan pulp and paper mill, ammonia and methanol from the Methanex operations. The Port of Kitimat also handles significant volumes of imported goods. One of the key advantages in terms of imported cargo is that the rail transportation network from Kitimat is being used at well under capacity (this is true for Prince Rupert as well),

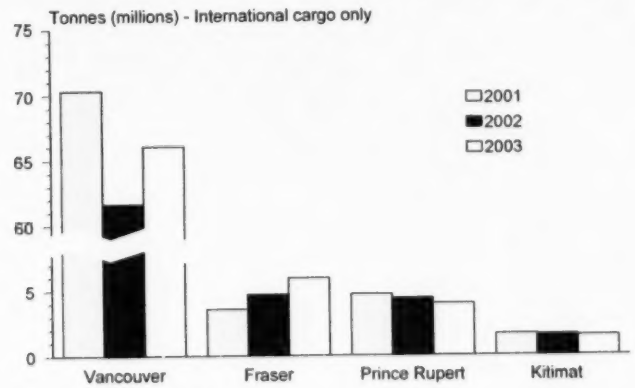
The Port of Kitimat is BC's largest private port and has all the same advantages as Prince Rupert

which means that the bottlenecks currently plaguing the southern ports should not be a problem in the north.

The economic boom in Asia is driving port expansion in BC

The booming Chinese economy and the corresponding influx of manufactured goods from that country as well as the strong demand for raw materials to feed the Chinese industrial machine have put pressure on BC's ports and transportation system. The top four sea ports in BC for shipping international goods already handle 90 percent of international commodity shipments through BC and 25 percent of national shipments. The growing presence of China and the rest of Asia in the global economy will likely boost BC's share of national marine trade even further. While BC's northern ports, such as Prince Rupert and Kitimat, have been slower to benefit from the incoming tide of Asian trade, major projects such as the container port, the LNG facility and the pipeline should prove to be a substantial economic benefit for those ports and for northern BC in general. The Greater Vancouver area ports should also reap significant gains from rising trade with Asia and the Port of Vancouver's status as Canada's busiest port will likely become even more pronounced.

BC's southern ports have been quicker to see a turnaround compared to the main ports in the north



Source: Statistics Canada

The Port of Vancouver is BC's primary port, but Fraser River, Prince Rupert and Kitimat are also significant ports for international cargo

Infoline

June 24 2005

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BC at a glance . . .

POPULATION (thousands)	Jan 1/05	% change on one year ago
BC	4,220.0	1.1
Canada	32,078.8	0.9
GDP and INCOME		
(BC - at market prices)	2004	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	156,481	7.5
GDP *($ 1997 millions)*	138,783	3.9
GDP *($ 1997 per Capita)*	33,072	2.8
Personal Disposable Income *($ 1997 per Capita)*	20,002	1.2
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Apr	3,523	-1.4
Merchandise Exports - Apr	2,652	2.2
Retail Sales - Apr	4,134	0.1
CONSUMER PRICE INDEX		12-month avg
(all items - 1992=100)	May '05	% change
BC	125.2	2.2
Canada	127.0	2.1
LABOUR FORCE (thousands)		% change on
(seasonally adjusted)	May '05	prev. month
Labour Force - BC	2,261	0.5
Employed - BC	2,132	0.8
Unemployed - BC	130	-5.3
		Apr '05
Unemployment Rate - BC *(percent)*	5.7	6.1
Unemployment Rate - Canada *(percent)*	6.8	6.8
INTEREST RATES (percent)	Jun 22/05	Jun 23/04
Prime Business Rate	4.25	3.75
Conventional Mortgages - 1 year	4.75	4.70
- 5 year	5.70	6.70
US/CANADA EXCHANGE RATE	Jun 22/05	Jun 23/04
(avg. noon spot rate) Cdn $	1.2355	1.3616
US $ *(reciprocal of the closing rate)*	0.8101	0.7357
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	May '05	one year ago
BC	698.81	3.7
Canada	696.25	2.7

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

Labour market characteristics of off-reserve Aboriginal population

It is now possible to examine the labour market characteristics of off-reserve Aboriginals. The data, from an expanded sample of Aboriginal peoples in the labour force survey, highlight some defining characteristics that contribute to their experience. In the past, this type of data has been available from the census but was limited to a snapshot taken in mid-May at five year intervals. A full year of sampled monthly data, fully integrated to the labour force survey, will be of great interest to researchers, policy makers and other users.

On-line at

www.bcstats.gov.bc.ca/data/lfs/abor/ap_index.htm

Released this week by BC STATS

- Consumer Price Index, May 2005
- Quarterly Regional Statistics, 2nd Quarter 2005

Next week

- Business Indicators, June 2005
- Current Statistics, June 2005
- Migration Highlights, First Quarter 2005
- Immigration Highlights, First Quarter 2005

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